

LONDON BOROUGH OF BRENT

THE EXECUTIVE

23rd June 2003

REPORT FROM THE DIRECTOR OF FINANCE

FP NO:

NAME OF WARD(S)

ALL

REPORT TITLE: AUTHORITY TO INVITE TENDERS FOR BANKING SERVICES CONTRACT AND CREDIT CARD SERVICES CONTRACT

Above

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Confidential Line

(Except Appendix B)

1. Summary

- 1.0 This report concerns the future provision of the Council's Banking Services and Credit Card Services. This report requests approval to invite tenders in respect of the proposed Banking Service and Credit Card Services contract to start 1 April 2004, as required by Contract Standing orders 88 and 89.

2. Recommendations

- 2.1 The Executive to give approval to the pre-tender considerations and the criteria to be used to shortlist and evaluate the Banking Service and Credit Card Services Contract commencing 1 April 2004 as set out in 6.12 of this report.
- 2.2 The Executive to give approval to officers to invite tenders and evaluate them in accordance with the approved criteria referred to in paragraph 2.1 above.
- 2.3 That the Executive agrees to delegate authority to the Director of Finance to negotiate terms of the contracts provided that any negotiations are in compliance with European (EU) Procurement Regulations and are conducted in consultation with the Borough Solicitor.

3. Financial Implications

- 3.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval to invite tenders and in respect of other matters identified in Standing Order 89.
- 3.2 The estimated value of the Banking Services and Credit Card Services contract is in excess of £500k.
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- 3.3 The cost for consultant fees, legal assistance and advertising is expected to be in the region of £10,000, for which a budget has been allowed by Brent Financial Services.
- 3.4 All service units have a budget provision for bank charges and credit card costs. The cost of electronic banking facilities is included in the Brent Financial Services budget.

4. Staffing Implications

- 4.1 The services are currently provided by a bank and there are no implications for Council staff arising from re-tendering the contract.

5. Legal Implications

- 5.1 The estimated values of both the Banking Service and Credit Card Services are higher than the EU threshold for Services and the nature of these services means they both fall within Part A of the Services Regulations. The tendering of the services is therefore governed in full by the European Public Procurement Regulations as well as the Council's own Standing Orders in respect of High Value Contracts and Financial Regulations.
- 5.2 Once the tendering process is undertaken, officers will report back to the Executive in accordance with Contract Standing orders, explaining the process undertaken in tendering the contracts and recommending award.
- 5.3 Due to the nature of this contract it is likely that it will be necessary to negotiate some of the terms and conditions of contract. EU Procurement regulations allow negotiation without further advertising in limited circumstances where an open procedure has produced irregular tenders. It is therefore considered by officers that there are good operational and financial reasons for permitting a limited amount and negotiation on the detailed terms and conditions.
- 5.4 Standing Order 104(c) provides that post tender negotiations are only permissible where the instructions to tender specified the areas to be subject to negotiations and in the case of contracts which are subject to EU Procurement regulations where the contract was advertised pursuant to the EU negotiated procedure.

6. Detail

- 6.1 The banking service contract was awarded to National Westminster Bank in 1993. The contract was re-tendered in 1997 and National Westminster Bank retained the contract for a further 5 years with an option to extend for one further year.
 - 6.2 With the EDS contract for Revenue & Benefit Services ending in 2003 the risk of having too many changes happening at the same time to such vital services was believed to be high. The option to extend the banking service contract for the additional year was taken up and the current contract will expire on 31 March 2004.
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- 6.3 Four banks showed interest in the contract in 1997 but only one bank, National Westminster bank submitted a tender.
- 6.4 The credit card contract is a rolling contract with Streamline Card Services. No tender process was required in 1993 when the contract was signed as the value was below the threshold. Three months notice is required to terminate this contract.
- 6.5 Commission charges are reviewed annually based on the volumes and value of the Council wide transactions. The annual turnover has increased year on year and currently stands at approximately £13m.
- 6.6 To improve the range of services to the customer the Council has begun to take on-line payments. There are plans for more services to offer on-line payment facilities during the coming year, therefore the existing arrangements have changed from those originally entered into.
- 6.7 Banks tend to operate within their own highly regulated parameters and would be unlikely to depart significantly from those given the relatively low value of this contract. This means that it may be necessary to negotiate some of the terms and conditions of the contract.
- 6.8 Officers consider that the Council may achieve economies by letting both the Banking Services contract and the Credit Card Services contract to the same service provider. Therefore they will be tendered together but may go to two separate providers if this proves to be the better option for the Council upon evaluation of the tenders.
- 6.9 A consultant has been appointed to assist with the tender process and to identify any other associated areas where further savings and improvements can be made.
- 6.10 Consultation to identify additional services or changes required for the banking services provider will take place with BFS senior management, service users across the council and external contractors who use the service on Brent behalf
- 6.11 A further report will be brought before members in December 2003 to seek approval for the award of the contract.
- 6.12 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the Executive.

| Ref. | Requirement | Response |
|------|---------------------------|----------------|
| (i) | The nature of the service | See Appendix A |
| (ii) | The estimated value | See Appendix B |

| Ref. | Requirement | Response | |
|--------|--|---|--|
| (iii) | The contract term | 5 years and up to a 2 year extension with provision to terminate on 6 months notice at any time. | |
| (iv) | The tender procedure to be adopted | European Public Procurement Open Procedure for Service Contracts | |
| (v) | The procurement timetable | Indicative dates are: <ul style="list-style-type: none"> • OJEC Notice & Adverts placed • Deadline for tender submissions • Panel evaluation and shortlist for interview • Interviews and contract recommendation • Report recommending Contract(s) award circulated internally for comment • Executive approval for the award of contract • Contract start date | Before 08/08/03 29/09/03 01/10/03 mid/10/03 late/10/03 early/11/03 early/12/03 01/04/04 |
| (vi) | The evaluation criteria and process | . The tenders will be evaluated and the contract awarded on the basis of the most economical advantageous offer and using the following criteria: <ul style="list-style-type: none"> • Price • Service delivery approach • Risk Management • Continuous Improvement Tenderers will also be checked to ensure they meet the Council's requirements in relation to financial standing, health and safety and technical expertise. | |
| (vii) | Any business risks associated with entering the contract | No specific risks. | |
| (viii) | The Council's Best Value duties | The Corporate Best Value Strategy is to provide best value services and to serve our community. The competitive tender for banking services will ensure value for money and provide a wide variety of methods for payments to be made by and to our community. | |

| Ref. | Requirement | Response |
|-------------|--|--------------------------------|
| (ix) | Any staffing implications, including TUPE and pensions | None |
| (x) | The relevant financial, legal and other considerations | See sections 3.0 and 5.0 above |

6.13 This Committee is asked to give its approval to these proposals as set out in the recommendations and in accordance with Standing Order 88.

7. Background Papers

7.1 Banking Services Procurement File.

7.2 Banking correspondence files.

Any person wishing to inspect the above papers should contact Sarah Cardno, Exchequer Services Manager, the Exchequer and Investment team, Brent Financial Services, Tel. 020 8937 1161 at Brent Town Hall.

Stephen Hughes
Director of Finance

APPENDIX A

Nature of the Service

The London Borough of Brent requires banking services to enable income to be collected and payments to be made for all council services and to meet our responsibilities.

Service Units have their own bank accounts either for operational, purchasing, Imprest or deposit requirements. Dependent on the size and nature of the service some units manage several bank accounts. Services with high volumes require electronic facilities to process banking data more efficiently.

The contractor's duties are to provide a comprehensive range of banking services to the council.

These duties include

- To open and maintain bank accounts
- Issue cheque books, paying in books and bank statements
- To provide and support electronic systems to enable high volumes of transactions to be processed efficiently
- To deal with queries and trace payments
- To calculate and notify the council of bank charges on a quarterly basis
- To make the Council aware of any new services offered
- To inform the Council of any changes in banking regulations
- To accept income through the branch network and bulk deposit facility
- To offer a treasury management facility

The Council offer customers a wide range of payment methods including credit and debit card. The card service provider duties include

- To provide Merchant numbers as required
- To provide equipment and software to process all transactions
- To produce summaries and invoices on a monthly basis
- To have a helpdesk to assist with queries
- To minimise the risk of fraud by continual innovation and prompt response to enquiries.

Going forward, the Brent contract should include the following:-

- Improve efficiency, accessibility and adhere to the principles of the E-Government strategy via provision of Web based systems and user access via a secure Internet link.
 - Apply changes in legislation with prior consultation and adequate notice.
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